

Fiscal Management Division  
Statewide Fiscal Services Dept.  
Expenditure Audit Section  
Auditor: Max Viescas

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# Post-Payment Audit of the Texas State Law Library



Glenn Hegar  
Texas Comptroller of Public Accounts

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## EXECUTIVE SUMMARY

### Audit scope

We audited a sample of the Texas State Law Library (Library) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning Dec. 1, 2015, through Nov. 30, 2016, to determine compliance with applicable state laws.

The Library receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Library should implement the recommendations listed in the Detailed Findings of this report. It is the Library's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Library's documents comply in the future. The Library must ensure that the findings discussed in this report are resolved.

***Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.***

### Payroll transactions

Payroll transactions were audited for compliance with the General Appropriations Act (GAA), the [Texas Payroll/Personnel Resource](#) and other pertinent statutes.

- No issues were identified.

### Purchase transactions

Purchase transactions were audited for compliance with the GAA, [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Missing receiving documentation.

### Purchase card transactions

Purchase card transactions were audited for compliance with the GAA, [eXpendit](#) and other pertinent statutes.

The audit identified:

- Improper payment of sales taxes.
- Freight not on purchase order.

### Special Reports

The audit included a review of several ad-hoc reports ran to test compliance with a wide variety of topics. Payment card transactions were audited for compliance with [eXpendit](#), the [State of Texas Procurement Manual](#) and other pertinent statutes.

The audit identified:

- Incorrect billing account number entered in the invoice number field.

### Travel transactions

Travel transactions were audited for compliance with the GAA, [Textravel](#) and other pertinent statutes.

The audit identified:

- Gratuities not reimbursable.
- Insufficient travel documentation.

### Security

The audit included a security review to identify any of the Library's employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner.

- No issues were identified.

### Internal control structure

The Library's internal control structure was reviewed. The review was limited to obtaining an understanding of the Library's controls sufficient to plan the audit and did not include tests of control policies and procedures.

The review identified:

- Two employees could process and release payments through USAS.
- Two employees could process and release payrolls without electronic oversight.
- One employee could pick up warrants from the Comptroller's Office and approve paper vouchers.
- One employee could adjust payment instructions in TINS and approve vouchers.

### Fixed assets

The audit included a limited number of fixed assets acquired by the Library during the audit period to test for proper tracking in the Library's internal system. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System.

- No issues were identified.

### Prior post-payment audit and current audit recurring findings

A prior post-payment audit of the Library's payroll, purchase and travel transactions was concluded on April 27, 2012.

During the current audit, the following recurring findings were identified:

- Two employees could process and release payments through USAS.
- One employee could process and release payrolls without electronic oversight.
- Two employees could adjust payment instructions in TINS and approve vouchers.
- One employee could pick up warrants from the Comptroller's Office and approve paper vouchers.

#### Contact:

Max Viescas, CPA  
(512) 305-8659

#### Contributing Auditors:

Aleks Nećak, CTP  
Mayra V. Castillo

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## DETAILED FINDINGS — PURCHASE

### Missing Receiving Documentation

#### Finding

We identified one purchase transaction and one payment card transaction missing receiving documentation to verify receipt of goods purchased. The Library indicated that some of its vendors do not include receiving documents with their shipments. However, the Library will ensure invoices include the date when goods are received from the vendor.

Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the intended purchases made. Proper documentation must be maintained to verify that payments are valid and to ensure a proper audit trail.

As provided by [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of a state agency and its officers and employees to “ensure for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.”

Supporting documentation must be made available to the Comptroller’s office in the manner required. The types of supporting documentation that the Comptroller’s office may require include purchase orders, requisitions, contracts, invoices and receipts. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

#### Recommendation/Requirement

The Library must ensure that no payment is made without sufficient supporting documentation. The Library must also ensure that it creates and maintains supporting documentation for audit review. The Library should review and update its procedures for maintaining proper supporting documentation for all purchases.

#### Library Response

*The Assistant Director and Accountant, who are in charge of receiving incoming items, will continue to maintain complete records of incoming purchases. If a receiving slip is not included with a package, they will generate one by hand detailing the items received and the date.*

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## DETAILED FINDINGS — PURCHASE CARD

### Improper Payment of Sales Tax

#### Finding

We identified two payment card transactions in which the Library paid state sales taxes totaling \$44.49. The payments were made due to an oversight.

These charges are not payable with state funds. The purchase, lease or rental of a taxable item to an exempt organization is exempt from tax when the organization or an authorized agent pays for the taxable item and provides the vendor with an exemption certificate in lieu of tax. See [34 Texas Administrative Code Section 3.322\(f\)\(2\)](#).

#### Recommendation/Requirement

The Library must ensure that it reviews invoices to ensure they are correct and do not include taxes. In addition, the Library must ensure that all expenses are reviewed for legality and accuracy prior to payment. The Library must obtain a refund from the vendor for the amount of the taxes.

#### Library Response

*The Chief Fiscal Officer has counseled purchasing staff on the importance of providing a tax-exemption statement to all vendors. She will not pay an invoice if it contains tax, and will request a corrected invoice before remitting payment.*



## Freight Not On Purchase Order

### Finding

We identified one transaction where the Library paid freight charges totaling \$15.50, that were not included on the purchase order (PO) or were not initially quoted by the vendor. The Library should not pay freight charges not included on the PO or not initially negotiated with the vendor. The Library stated it was aware that certain vendors charge for freight but those vendors do not provide the Library with estimated freight charges prior to shipping the goods.

A purchase order is a contract entered into by the state and a vendor. The Library may pay only the contracted amount as shown on the purchase order. If freight charges are not included in the purchase order, the Library does not owe the charges and they should not be paid.

### Recommendation/Requirement

The Library should document all freight terms on each PO. In situations where the final amount of freight cannot be determined, estimates may be used. In those instances, the Library should document the limit that may not be exceeded for any freight amount. If it is determined that the upper limit for a freight amount will be exceeded, the vendor should obtain approval for the higher amount. Any approvals for higher amounts should be documented prior to receiving the invoice.

### Library Response

*We will inquire with the vendor regarding the freight that will be charged and include the estimates for freight on the purchase orders.*



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## DETAILED FINDINGS — SPECIAL REPORTS

### Incorrect Billing Account Number

#### Finding

We ran a report outside of the sample to identify potential payments processed incorrectly to third-party vendors by the Library for the audit period. During our review of this report, we identified 19 transactions totaling \$2,034.49 that processed incorrectly to the state's payment card vendor. The Library failed to provide the correct billing account number as prescribed by [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) and [USAS and CAPPs Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the vendor may not be able to directly post payments to the Library's payment card account. This may further result in unidentified and delayed payment postings and potential lost rebate earnings. The Library indicated this was an oversight and will ensure the correct billing account number is entered into USAS for future transactions.

#### Recommendation/Requirement

The Library must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#) and [FPP E.023](#). To avoid any account delinquency or reconciliation issues, we recommend the Library review payment card statements to ensure the payments were posted correctly.

#### Library Response

*Citibank was contacted to get the correct billing account number. Our voucher form has been updated and all future payments will be correct.*

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## DETAILED FINDINGS — TRAVEL

### Gratuity Not Reimbursable

#### Finding

We identified three travel card transactions that reimbursed an employee for meal expenses that included a gratuity totaling \$43.10. The Library indicated that the travelers were not aware that gratuities were not allowed to be purchased with a travel card, and the error was not identified during the review process due to an oversight.

The [Texas Constitution, Article III, Section 51](#), prohibits the giving away of the state's money for private purposes. The payment of a gratuity is a violation of this section.

#### Recommendation/Requirement

The Library must ensure that all travel expense claims are thoroughly reviewed for legality and accuracy prior to payment. In addition, the Library must obtain a reimbursement from the traveling employee unless it determines it is not cost effective to do so.

#### Library Response

*The Chief Fiscal Officer has counseled traveling staff that they will not receive reimbursement for gratuities when traveling. Future travel reimbursements will not include gratuities.*

## Insufficient Travel Documentation

### Finding

The Library uses the state-issued travel card to pay for all of its travel expenses. During the audit period, the Library took three business trips. We reviewed the travel documentation and noted that the Library did not document the description and purpose of each trip taken by its employees. Without a proper description of each trip, we could not determine if travel expenditures involved official state business and were consistent with the agency's legal authority.

The Library indicated that all three trips were related to official state business. A lack of experience and training was the reason its employees did not include a proper description of each trip in the travel documentation.

A state agency may reimburse a travel expense only if the purpose of the travel clearly involves official state business and is consistent with the agency's legal authority. See *Textravel – Official state business*. In addition, [Texas Government, Section 660.027\(d\)\(1\)](#) requires travel vouchers to be supported by a description of official state business performed.

### Recommendation/Requirement

The Library should review travel vouchers to ensure a description and purpose is included with the supporting documentation. In addition, the Library should ensure that its employees are properly trained and knowledgeable about the travel rules set forth in *Textravel* and other applicable rules and regulations.

### Library Response

*The Chief Fiscal Officer will include thorough accounts of travel, including their purpose and relevance to library operations, with all future travel vouchers.*

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## DETAILED FINDINGS — INTERNAL CONTROL STRUCTURE

### Control Weaknesses Over Expenditure Processing

#### Finding

As part of our planning process for the post-payment audit, we reviewed certain limitations that the Library placed on its accounting staff's ability to process expenditures. We did not review or test any internal or compensating controls the Library may have relating to USAS, USPS or the Texas Identification Number System (TINS) security or internal transaction approvals.

We identified two employees with multiple security capabilities. Both employees had the security to:

1. Process and release payments through USAS
2. Process and release payrolls without electronic oversight

One of those employees could approve paper vouchers, pick up warrants from the Comptroller's office and adjust payment instructions in TINS.

The Library received a schedule of this finding during fieldwork. The Library stated it does not have enough staff to separate duties any further.

We ran a report to see whether any of the Library's payment documents processed through USAS and USPS during the audit period because of the action of only one person. The report identified 64 USAS documents totaling \$172,063.02, that processed without oversight. We reviewed samples from the 64 documents and confirmed that all the payments reviewed were valid expenditures.

To reduce risks to state funds, the Library should have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to enter or alter and then release payments or other accounting transactions within the statewide financial systems without another person's involvement.

#### Recommendation/Requirement

The Library should elect to have the document tracking control edit on the Library Profile (DØ2) set to either:

- Prevent a user from releasing a batch that the same user entered or altered for the agency  
—OR—
- Warn the user when the same user attempts to release his or her own entries or changes and have a second individual review and process those transactions. See [USAS Accounting and Payment Control \(FPP B.005\)](#)

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The Library must work with Comptroller's Statewide Fiscal Systems Security staff to set up user profiles that separate the entry and approval of payroll transactions in USPS.

The Library must limit user access by removing the user from the Agency Authorization for Warrant Pickup or by removing the ability to release/approve vouchers in USAS from the user.

The System must limit the access of users who can enter and change a voucher or release and approve a batch in USAS to view only access in TINS. An individual should not be able to create a vendor or change a vendor profile, create a payment and approve the payment.

### **Library Response**

*Due to our very small staff size, we occasionally find it necessary for one employee to both enter and release a document. We only have two accounting employees, and when they are out of the office for several days (or weeks) due to illness or vacation, the other must perform all functions of the department in order to ensure timely payments and accounting operations.*

*The Library will consider implementing other mitigating controls to help deter the risks associated with one person having multiple security capabilities.*